

February 10, 2021

Notice of the (Second) Issuance of New Shares through Third-Party Allotment by the Subsidiary that Manufactures Power Semiconductor Substrate

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter "the Company") announces that Ferrotec (Jiangsu) Semiconductor Technology Co., Ltd. (hereinafter "FTSJ"), a subsidiary that manufactures power semiconductor substrates, has decided on the second issuance of new shares through third-party allotment in order to further expand business while aiming to get listed on the Science and Technology Innovation Board in the future. Details are as follows.

1. Reason and background for the third-party allotment

The Company announced in "Notice of the Issuance of New Shares through Third-Party Allotment by the Subsidiary that Manufactures Power Semiconductor Substrate" dated November 17, 2020 that FTSJ had decided to issue new shares through third-party allotment because, on the premise that it would get listed on the Chinese high-tech company market, the Science and Technology Innovation Board (STAR Market), we believed that establishment of strategic partner relationships with local government funds and major customers would contribute to an increase in the corporate value of the Group. We have published this notice in order to announce the second issuance of new shares through third-party allotment by FTSJ with the aim of improving productivity. The principal purpose of this issuance of new shares is, as of the previous issuance, to raise funds for capital investment for swiftly enhancing the productivity associated with insulation and heat dissipation substrates for power semiconductors (hereinafter "DCB substrates") and substrates based on silicon nitride and aluminum nitride using new technology in the form of the AMB (Active Metal Brazing) method which has higher heat dissipation and reliability at Dongtai Plant (FTSJ) in Jiangsu Province, China, following the worldwide growth of the power semiconductor market and escalating demand for electric vehicles driven by an upward momentum toward a decarbonized society.

Glossary - What is a DCB substrate?

In addition to high heat dissipation for power semiconductor substrates, high insulation is required for components other than circuits. A substrate in which a copper circuit is directly bonded to an insulator such as alumina and aluminum nitride, which has high heat dissipation, insulation, and durability, is called a DCB substrate.

It is used in large household electrical appliances (especially for inverters in air conditioners), robots, NC (numerical control) processing machines, servos, inverters, etc. Further, in addition to the usage as a substrate for control devices such as in-automobile engines, motors, power steering, and headlamps, it is also used as an inverter for motor control of renewable energy related devices (wind power generation, solar power generation, etc.).

2. Purpose of use of the proceeds to be raised

We plan to allocate funds mainly to investments in equipment upgrade, automation, new material development, etc. Details are to be announced once they are confirmed.

3. Outline of the subsidiary

(1)	Name	Ferrotec (Jiangsu) Semiconductor Technology Co., Ltd. (FTSJ)		
(2)	Address	18 Hongda Road, Chengdong New District, Dongtai City, Jiangsu Province, China		
(3)	Title and name of representative	He Xian Han, Representative Director		
(4)	Contents of business	Manufacture and sale of substrates for power semiconductors		
(5)	Capital	225,598,000 yuan (approx. 3.6 billion yen) [Current as of November 25, 2020] *1 Chinese yuan = 16.00 yen		
(6)	Date of establishment	March 16, 2018		
(7)	Major shareholders and shareholding ratio	Shareholder	Current shareholding ratio	After third-party allotment
		Shanghai Shenhe Thermo-Magnetics Electronics Co.,	88.89%	74.08%

		Ltd. (FTS) FTSJ employee and executive shareholding association Shanghai Core Investment Management Co., Ltd. Shanghai Xingcheng Investment Management Co., Ltd.	8.89%	7.41%	6.67%	6.67%
(8)	Relationship between FTSJ and the company	Capital relationship	FTSJ is a subsidiary 88.89% of whose voting rights is owned by FTS, a consolidated subsidiary of the Company.			
		Personnel relationship	One director of the Company concurrently serves as the director of FTSJ.			
		Business relationship	Nothing is applicable.			
(9)	Business performance and financial standing in the past 1 year (rounded down to the nearest thousand yuan or million yen)					
	Accounting period	Fiscal year ended December 31, 2019				
	Net assets	129,392,000 yuan (2,070 million yen)				
	Total assets	345,077,000 yuan (5,521 million yen)				
	Net assets per share	- (- million yen)				
	Net sales	99,277,000 yuan (1,588 million yen)				
	Net income (loss) attributable to owners of parent	-2,618,000 yuan (-41 million yen)				
	Dividend per share	- (- million yen)				

Note 1: Yen conversion rate: 1 Chinese yuan = 16.00 yen

Note 2: Net assets per share are omitted because the subsidiary is a limited company.

Note 3: Since the company had not been in operation for the fiscal year ended December 2018 (the establishment period), the business performance and financial standing are shown only for the fiscal year ended December 2019.

4. Overview of the third-party allotment

(1)	Issue price per share	4.477 yuan/yuan of capital (approx. 71.63 yen) *1 Chinese yuan = 16.00 yen
(2)	Total contribution amount	202,000,000 yuan (approx. 3.23 billion yen)
(3)	Settlement date	February 25, 2021
(4)	Increased capital	45,089,000 yuan (approx. 720 million yen)
(5)	Registered capital after third-party allotment	270,687,000 yuan (approx. 4.33 billion yen)
(6)	Shareholding ratio after third-party allotment	(1) Shanghai Core Investment Management Co., Ltd. 6.66%
		(2) Shanghai Xingcheng Investment Management Co., Ltd. 6.66%
		(3) Partnership company with Jia Xing Hong Ye Semiconductor Industry Equity Investment Limited Partnership 1.67%
		(4) Shanghai Free Trade Zone Equity Fund Management Co., Ltd. 0.83%
		(5) Shanghai Pudong Science and Technology Investment Co., Ltd. 0.83%

*The issue price was determined based on an evaluation of the stock's fair value by a third-party organization that is independent from the Company and allottees, and then the shares were allotted.

5. Overview of the allottees

	(1)	(2)
(1) Company name	Shanghai Core Investment Management Co., Ltd.	Shanghai Xingcheng Investment Management Co., Ltd.
(2) Capital	30 million yuan (approx. 480 million yen)	10 million yuan (approx. 160 million yen)
(3) Date of establishment	May 26, 2015	December 23, 2014
(4) Major shareholders and shareholding ratio	Confirming	Confirming
(5) Representative	Li Ya Jun	Chen Xiao Fei
(6) Contents of business	Investment in businesses Investment consulting	Investment in businesses Investment consulting
(7) Relationship between FTSJ and the companies	There are no capital, personnel, or business relationships, and the company does not belong to related parties.	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(8) Contribution amount and shareholding ratio	18 million yuan (approx. 288 million yen) 6.66%	18 million yuan (approx. 288 million yen) 6.66%

	(3)	(4)
(1) Company name	Partnership company with Jia Xing Hong Ye Semiconductor Industry Equity Investment Limited Partnership	Shanghai Free Trade Zone Equity Fund Management Co., Ltd.
(2) Capital	Confirming	33.6 million yuan (approx. 530 million yen)
(3) Date of establishment	May 26, 2015	February 28, 2015
(4) Major shareholders and shareholding ratio	GP (unlimited liability): Shanghai Pukai Tianji Investment Management Co., Ltd. (50%) LP1 (limited liability): Xu Lei (50%)	Shanghai Lujiazui Financial Development Co., Ltd. (14.28%)
(5) Representative	Confirming	Wu Jian Ping, Representative Director
(6) Contents of business	Investment in businesses Investment consulting	Investment in businesses Asset management, Domestic trade Financial consulting, etc.
(7) Relationship between FTSJ and the companies	There are no capital, personnel, or business relationships, and the company does not belong to related parties.	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(8) Contribution amount and shareholding ratio	4.5 million yuan (approx. 72 million yen) 1.67%	2.2 million yuan (approx. 35 million yen) 0.83%

	(5)
(1) Company name	Shanghai Pudong Science and Technology Investment Co., Ltd.

(2)	Capital	3 billion yuan (approx. 48 billion yen)
(3)	Date of establishment	June 30, 1999
(4)	Major shareholders and shareholding ratio	Partnership company with Shanghai Hongtianyuan Venture Capital Partnership (Limited Partnership) (limited partner) (51%) Shanghai Shangshi Asset Management Co., Ltd (25%) Shanghai Pudong Investment Holding (Group) Co., Ltd. (24%)
(5)	Representative	Zhu Xu Dong (Representative Director)
(6)	Contents of business	Investment in business establishment Investment in businesses Investment management Investment consulting Corporate administration consulting Consulting on corporate merger and reorganization Financial consulting Asset management
(7)	Relationship between FTSJ and the companies	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(8)	Contribution amount and shareholding ratio	2.2 million yuan (approx. 35 million yen) 0.83%

Note 1: 1 Chinese yuan = 16.00 yen

Note 2: We are currently making decisions about allottees, and please keep in mind that they are subject to change. We will promptly provide details if we have made any changes.

6. Matters related to transactions with controlling shareholders

This transaction does not involve any dealings with controlling shareholders.

7. Settlement date

Thursday, February 25, 2021

8. Future outlook

The impact of the transaction on consolidated earnings is currently under review. We will promptly announce details on this if deemed necessary.